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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY FOR
APPROVALS ASSOCIATED WITH A
TRANSACTION WITH THE MARICOPA
COUNTY MUNICIPAL WATER
CONSERVATION DISTRICT NUMBER ONE.

DOCKET NO. W-01303A-05-0718

PROCEDURAL ORDER

BY THE COMMISSION:

On October 11, 2005, Arizona-American Water Company ("Company") filed with the Arizona Corporation Commission ("Commission") the above-captioned application. The application requested certain approvals associated with a transaction with the Company's Agua Fria Water District and the Maricopa County Municipal Water Conservation District Number One ("District") in order to enable the Company to obtain treatment, at a planned regional water treatment facility, of a portion of the Company's Central Arizona Project ("CAP") water allocation. The application stated that the District proposed to construct a regional water-treatment facility known as the White Tanks Plant to treat surface water delivered over CAP facilities. In association with the planned transaction with the District, the Company requested Commission approval of the issuance of evidence of indebtedness in the amount of approximately \$37,414,000 for a 40-year capital lease obligation with an interest rate of 275 basis points over the long-term Treasury bond rate; approval of the transfer of certain assets to the District; and approval of proposed increases to and extension of the Company's existing CAP Hook-Up Fee tariff assessed to new-home construction. In association with the capital lease, the Company also sought Commission approval of its proposed ratemaking treatment and recovery method for capital and operating costs; and a prudence finding.

By Procedural Order issued December 19, 2005, a procedural schedule was set for the processing of the application, which included a hearing on the application, public notice requirements, and intervention deadlines.

1 Intervention was granted to the Residential Utility Consumer Office ("RUCO") by Procedural
2 Order issued January 10, 2006.

3 On January 23, 2006, the Company filed a Confirmation of Mailing and Affidavit of
4 Publication indicating that public notice of the hearing was accomplished in accordance with the
5 requirements set forth in the December 19, 2005 Procedural Order.

6 No other intervention requests were filed.

7 On February 10, 2006, RUCO filed Direct Testimony on the October 11, 2006 application,
8 and the Commission's Utilities Division Staff ("Staff") filed a Staff Report on the October 11, 2006
9 application.

10 A Procedural Order issued March 2, 2006 granted the Company's request that the procedural
11 schedule in this matter be suspended due to issues that had arisen between the Company and the
12 District.

13 On September 1, 2006, after the filing of several status reports, and following a Procedural
14 Conference held on August 1, 2006, the Company filed a Revised Application in this docket. The
15 Company's Revised Application requests, for its Agua Fria District, relief in the form of an
16 adjustment to its existing Water Facilities Hook-Up Fee for new home construction, accounting
17 orders, and that the Company be ordered to make certain associated filings as a part of its previously-
18 ordered 2008 rate case filing for its Agua Fria District, all in association with the Company's plans to
19 construct a water treatment facility not in association with the District.

20 On September 14, 2006, a Telephonic Procedural Conference was held for the purpose of
21 discussing the appropriate process for a Commission determination in this docket. The Company,
22 RUCO and Staff attended. The parties agreed to confer and either jointly file a proposed procedural
23 schedule, or file separate proposals in the event no agreement was reached.

24 On September 25, 2006, Staff filed a Joint Request for a Procedural Order, which stated that
25 the parties did not believe, at that time, that an evidentiary hearing was necessary. The Joint Request
26 proposed that Staff file a Staff Report and Staff Recommended Order by October 27, 2006; that the
27 Company and RUCO would file their responses to the filing by November 6, 2006; and that if there
28 were disputed issues, that a Recommended Opinion and Order be prepared by the Hearing Division.

1 On October 5, 2006, a Procedural Order was issued generally adopting the parties'
2 recommendations, and stating that the Hearing Division or the Commission may determine that
3 additional information or a hearing may be required in this matter prior to a Commission Decision.

4 On October 27, 2006, Staff filed a Staff Report and Staff Recommended Order,
5 recommending approval of the Company's proposed hook-up fee and accounting order as requested
6 in the Revised Application.

7 Between October 23, 2006 and December 6, 2006, Applications to Intervene in this
8 proceeding were filed by the District, Pulte Home Corporation ("Pulte"), CHI Construction
9 Company, Inc. ("CHI"), Courtland Homes, Inc. ("Courtland"), Taylor Woodrow/Arizona Inc.
10 ("Taylor Woodrow"), Trend Homes, Inc., Fulton Homes Corporation ("Fulton"), Suburban Land
11 Reserve, Inc. ("Suburban") and Westcor/Surprise, LLC ("Westcor/Surprise"). These parties have all
12 been granted intervention. Several have filed comments.

13 On November 29, 2006, the Company filed a Request for Expedited Hearing, in which the
14 Company withdrew its opposition to the District's Application for Leave to Intervene. The
15 Company's Request included a list of issues for hearing and a proposed hearing schedule.

16 On December 13, 2006, a Procedural Order was issued setting a Prehearing Conference for
17 December 21, 2006 for the purpose of allowing the parties to discuss an appropriate procedural
18 schedule and the issues to be addressed in this proceeding.

19 A Prehearing Conference was held as scheduled on December 21, 2006. Arizona-American,
20 the District, CHI, Courtland, Taylor/Woodrow, Fulton, RUCO and Staff appeared through counsel
21 and discussed several procedural matters relating to the hearing. The parties also addressed the
22 possibility of settling some disputed issues, and were informed of the necessity of providing notice
23 and an opportunity for participation of all parties in any settlement discussions that might be held.

24 The parties' procedural requests have been considered. Pursuant to A.A.C. R14-3-101, the
25 Commission now issues this Procedural Order to govern the preparation and conduct of the hearing in
26 this proceeding.

1 IT IS THEREFORE ORDERED that a **hearing** shall be held in this matter commencing on
2 **March 19, 2007, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's Phoenix
3 offices, 1200 West Washington Street, Phoenix, Arizona 85007.

4 IT IS FURTHER ORDERED that a pre-hearing conference shall be held on **March 15, 2007,**
5 **at 1:00 p.m.**, at the Commission's Phoenix offices, for the purpose of scheduling witnesses, the
6 conduct of the hearing, and the post-hearing briefing schedule.

7 IT IS FURTHER ORDERED that any testimony and associated exhibits to be presented at
8 hearing on behalf of all intervenors who have not yet filed testimony in this proceeding shall be
9 reduced to writing and filed on or before **January 24, 2007.**

10 IT IS FURTHER ORDERED that rebuttal testimony and associated exhibits in response to that
11 filed on January 24, 2007, to be presented at hearing on behalf of the Company, Staff, and intervenors
12 shall be reduced to writing and filed on or before **February 21, 2007.**

13 IT IS FURTHER ORDERED that surrebuttal testimony and associated exhibits to be
14 presented by any party shall be reduced to writing and filed on or before **noon on March 12, 2007.**

15 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the**
16 **filing is due, unless otherwise indicated above.**

17 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
18 been prefiled as of March 12, 2007 shall be made before or at the March 15, 2007 pre-hearing
19 conference.

20 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the
21 pre-filed testimony of each of their witnesses and shall file each summary at least two working days
22 before the witness is scheduled to testify.

23 IT IS FURTHER ORDERED that copies of summaries should be served upon the Presiding
24 Officer, the Commissioners, and the Commissioners' aides as well as the parties of record.

25 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
26 except that all motions to intervene must be filed on or before **January 15, 2007.**

27 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
28 regulations of the Commission, except that: any objection to discovery requests shall be made within

1 5 days¹ of receipt and responses to discovery requests shall be made within 7 days of receipt; the
2 response time may be extended by mutual agreement of the parties involved if the request requires an
3 extensive compilation effort; and no discovery requests shall be served after March 9, 2007.

4 IT IS FURTHER ORDERED that discovery requests, objections, and answers may be served
5 electronically.²

6 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
7 discovery, any party seeking resolution of a discovery dispute may telephonically contact the
8 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery
9 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and
10 that the party making such a request shall forthwith contact all other parties to advise them of the
11 hearing date and shall at the hearing provide a statement confirming that the other parties were
12 contacted.³

13 IT IS FURTHER ORDERED that any motions which are filed in this matter and which are
14 not ruled upon by the Commission within 20 days of the filing date of the motion shall be deemed
15 denied.

16 IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of
17 the filing date of the motion.

18 IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date
19 of the response.

20 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in
21 this matter, in the following form and style, with the heading no less than 10 point bold type and the
22 body no less than 10 point regular type:

23 ...

24 ...

25
26 ¹ "Days" means calendar days. The date of receipt of discovery requests is not counted as a day, and requests
received after 4:00 p.m. MST will be considered as received the next business day.

27 ² If requested by the receiving party, and the sending party has the technical capability, service electronically is
mandatory.

28 ³ The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations
before seeking Commission resolution of the controversy.

**PUBLIC NOTICE OF HEARING ON THE REVISED APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY FOR APPROVALS ASSOCIATED WITH
THE COMPANY'S PLAN TO CONSTRUCT A WATER TREATMENT FACILITY,
INCLUDING APPROVAL OF AN ADJUSTMENT TO ITS EXISTING WATER
FACILITIES HOOK-UP FEE
(W-01303A-05-0718)**

On October 11, 2005, Arizona-American Water Company ("Company") filed an Application requesting approvals associated with a transaction with the Maricopa County Municipal Water Conservation District Number One ("District") for the District's construction of a water treatment facility. On September 1, 2006, the Company filed a Revised Application requesting, in association with the Company's plan to construct a water treatment facility not in association with the District, the following relief: an adjustment to its existing Water Facilities Hook-Up Fee for new home construction; issuance of accounting orders; and that certain filings be required as a part of its previously-ordered 2008 rate case filing for its Agua Fria District. The District, several new home developers, and the Residential Utility Consumer Office have intervened and are parties to this proceeding.

The Commission will determine the appropriate relief to be granted based on the evidence of record in this proceeding. The Commission is not bound by the proposals made by the Company, the Commission's Staff, or any intervenors, and therefore, the relief granted in this proceeding may differ from that requested by the Company. Copies of the Application, the Revised Application, reports of the Commission's Staff, and prefiled testimony of parties will be available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, at the offices of the Company, [Company insert address] and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a hearing on this matter beginning at **10:00 a.m. on March 19, 2007**, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you would like to intervene, you must file a written motion to intervene with the Commission, and you must send copies of the motion to the Company or its counsel, and to all parties of record in the case. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom documents are to be served in your place, if desired.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that a copy of your motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

Arizona Administrative Code R14-3-105 governs the granting of intervention, except that all motions to intervene must be filed on or before January 15, 2007. The granting of intervention, among other things, will entitle an intervenor to present sworn evidence at hearing and to cross-examine other witnesses, and to be mailed copies of all filings made in the case. You do not need to intervene in order to appear at the hearing and make a

statement for the record, or to file written comments in the record of the case.

If you have any questions about this application, you may contact the Company at **[insert telephone number]**. If you wish to file written comments on the application or want further information on intervention you may contact the Consumer Services Section of the Commission at 1200 W. Washington St., Phoenix, AZ 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Company shall cause the above notice to be published in a newspaper of general circulation in its service territory, with publication to be completed no later than **January 5, 2006**.

IT IS FURTHER ORDERED that the Company shall file certification of publication as soon as practicable after the publication has been completed, but not later than **January 12, 2007**.

IT IS FURTHER ORDERED that notice shall be deemed complete upon publication of same, notwithstanding the failure of an individual to read or receive the notice.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 27th day of December, 2006


TEENA WOLFE
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed
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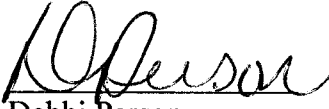
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